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Mortgage Rescue Fraud



LISA MADIGAN
ILLINOIS ATTORNEY GENERAL

How Mortgage Rescue Schemes Work

Mortgage Rescuers

Typically, mortgage rescuers will promise to "save your home" by offering you a three-part deal:

- The rescuer (or a third party investor) buys your home from you for a small fraction of its actual value.
- You stay in the home as a renter.
- You get to buy back the home when you're back on your feet financially.

As tempting as this deal may seem, it is a recipe for a rip-off. "Rescued" homeowners often find themselves struggling to make monthly rental payments that cost the same as or even more than their former mortgage payments. When the homeowners fall behind in rent, the new owners ask a court to evict them. In the worst cases, the homeowners do not even realize they have sold their home until it's too late.

Whether they're evicted or move out voluntarily, homeowners lose both their home and their equity in these schemes. The only people who win are the rescuers and their investors, who reap huge profits on homes for which they paid very little.

Mortgage Rescue Consultants

For a hefty fee, mortgage rescue consultants promise to "buy you time" and possibly save your home by negotiating deals with your creditors. They may also offer to help you repair your credit and refinance your existing mortgage.

While these services sound appealing, the truth is that they can be performed better by a licensed attorney, by a reputable non-profit housing counselor, or even on your own.

All too often, mortgage rescue consultants offer homeowners phantom help. They either do nothing they promised to do, or they do the bare minimum, perhaps placing a phone call to the homeowner's bank or mailing the homeowner a list of refinancing sources they found on the Internet. Either way, mortgage rescue consultants essentially abandon the homeowner to a foreclosure that might have been prevented with professional intervention.



Explore Your Options NOW

As a general rule, beware of anyone who calls you or shows up at your door promising to save your home. Real help doesn't find you; you have to go looking for it.

To save your home, it is important that you take action now by calling a reputable home ownership counselor. A number of agencies in Illinois provide free counseling services to homeowners who are having trouble making ends meet (see "Resources," back panel). These agencies can help you explore your options, which may range from refinancing your loan to selling your home and using your equity to start over.

Consumer Protections Under the Mortgage Rescue Fraud Act

A "rescue" should not leave homeowners worse off than they would have been without it. The Mortgage Rescue Fraud Act, which takes effect on January 1, 2007, protects homeowners' hard-earned equity with the following key provisions:

Mortgage Rescuers

- A mortgage rescuer must provide the homeowner with a written contract that clearly states that the home is being sold.
- Prior to sale, the rescuer must make a determination that the homeowner has the reasonable ability to make rental payments and buy the home back.
- A homeowner who remains in the home under a rental agreement has the right to cancel the rental agreement at any time.
- A mortgage rescuer must pay the homeowner at least 82 percent of the home's fair market value if the rescue ultimately fails.

Mortgage Rescue Consultants

- Mortgage rescue consultants must give homeowners a written contract listing all the services that the consultant promises to perform.
- Homeowners have the right to cancel a consultant contract at any time.
- A consultant cannot accept any payment from the homeowner until all of the services have been performed.

A Message from
ILLINOIS ATTORNEY GENERAL
LISA MADIGAN



If you are a homeowner at risk of losing your home due to foreclosure or unpaid property taxes, you may be a target for businesses seeking to profit from your misfortune. Many of these businesses may try to exploit your emotional vulnerability to con you out of the few assets you have left.

This brochure introduces you to two such businesses: mortgage rescue consultants and mortgage rescuers. It is important that you understand how these business schemes work so that you can safeguard your investment in your home.

Because mortgage rescue fraud is on the rise in Illinois, I sponsored the recently enacted Mortgage Rescue Fraud Act to protect our homes and neighborhoods. I urge you to familiarize yourself with your rights under this new law as you consider your options in working toward financial recovery.

Sincerely,

Lisa Madigan
Illinois Attorney General



LISA MADIGAN
ILLINOIS ATTORNEY GENERAL

RESOURCES

The Office of the Illinois Attorney General has compiled two guides titled "Predatory Home Loans: A Guide to Prevention and Rescue Resources"—one for the Chicago area, the other for downstate. These guides list every Department of Housing and Urban Development-approved counseling agency in the state and contain other useful resources as well. To obtain a copy of these free guides, please visit our Web site or call our Consumer Fraud Hotline.

If you believe you have been victimized by a mortgage rescue scam, please contact our Consumer Fraud Hotline immediately. You can also file a consumer complaint for cooperative mediation at any time you feel you need assistance.

Consumer Fraud Hotlines

Chicago

1-800-386-5438

TTY: 1-800-964-3013

Springfield

1-800-243-0618

TTY: 1-877-844-5461

Carbondale

1-800-243-0607

TTY: 1-877-675-9339

www.IllinoisAttorneyGeneral.gov

